



# State of Arizona Accounting Manual

Topic 05 Internal Controls  
Section 30 **Fraud, Theft, Waste and Abuse**

Issued 02/11/19  
Page 1 of 2

## INTRODUCTION

The purpose of this section of SAAM is to clarify agency responsibilities to effectively implement internal controls that aid in the prevention and detection of fraud, theft, waste, or abuse, along with the requirements for reporting. This policy applies to any fraud, theft, waste, or abuse or suspected fraud, theft, waste, or abuse involving any employee (including management), consultant, vendor, contractor, outside agency, or person doing business with an agency or in any other relationship with an agency.

State financial policy does not tolerate any type of fraud or theft and all instances must be reported to the GAO, the Auditor General and the Attorney General. It is management's responsibility to control waste and abuse; however, this does not relieve agency management of reporting any abuse or excessive waste. The GAO is available for consultation regarding internal controls and opportunities to reduce waste and abuse. The State's policy is to promote consistent, legal, and ethical organizational behavior by assigning responsibility for reporting fraud, theft, waste or abuse.

This policy strengthens the foundation established by the *Code of Conduct for State of Arizona Employee Engaged in Accounting, Financial, and Budgeting Activities* published as a part of SAAM Section 0515, which addresses the moral, ethical, legal and professional aspects of personal conduct. This section of SAAM further demonstrates and clarifies the State's intention to hold its employees to high standards of ethical conduct through additional internal controls and policy.

Although the *Code of Conduct* was originally intended for staff engaged in accounting, financial and budgeting activities, the concepts are also applicable for all management and staff involved in awarding contract or grants, or involved in establishing or applying policies which impact State finances directly or indirectly.

Failure to comply with this policy subjects an employee to possible disciplinary action, as appropriate, including and up to immediate termination. Failure to comply by a consultant, vendor, contractor, outside agency, or person doing business with the State or in any other relationship with the State could result in cancellation of the underlying contract or other relationship between the entity and the State.

The State will thoroughly and expeditiously investigate any reported cases of suspected fraud to determine if disciplinary action, financial recovery and/or criminal prosecution should be taken. All reports of suspected fraud must be handled under the strictest confidentiality. Information related to the matter should only be given to the GAO, the Auditor General, the Attorney General, or others directly involved in the investigation,

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Issued 02/11/19  
Page 2 of 2

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such as law enforcement, agency and State Human Resources, and essential agency management.

The State Comptroller will refer the matter to the Attorney General to consider prosecution if the results of an investigation indicate the possibility of criminal activity.

## **POLICY & PROCEDURES**

1. Any State employee, contractor of the State, or other individual who observes or receives a report of an activity that is suspecting of involving fraud, theft, waste or abuse related to State activities is required to report it to the GAO, the Auditor General, the Attorney General, and, as may be relevant, the applicable law enforcement organization (collectively herein, the appropriate authorities) within one (1) business day.
  - 1.1. The GAO has established the e-mail address [reportfraud@azdoa.gov](mailto:reportfraud@azdoa.gov) to facilitate this reporting.
  - 1.2. By whatever means reported, the person making the report (the informant) should be prepared to provide, to the extent known, the following information to the appropriate authorities:
    - 1.2.1. The nature of the suspicious activity.
    - 1.2.2. How the suspicious activity became known to the informant (i.e., by direct observation, through communication with another, etc.).
    - 1.2.3. The name, names or group involved in the suspicious activity. It must be remembered that an accused person is innocent until proven guilty.
    - 1.2.4. The date, time, place and other particulars related to the suspicious activity.
    - 1.2.5. An informant may choose to disclose his identity or remain anonymous.
2. The appropriate authorities shall conduct investigations of potential fraud, theft, waste or abuse by State employees, public assistance recipients, providers, contractors, subgrantees, etc.
3. If an informant has chosen to disclose his identity, the appropriate authorities may, if necessary, contact the informant for additional information.
4. Periodic communication through State and agency newsletters and meetings should emphasize the responsibilities and channels to report suspected fraud, theft, waste or abuse.